

COMPTROLLER'S DIRECTIVE NO. 3-08
FINANCIAL STATEMENT PREPARATION FOR STATE AGENCIES
ITEMS OF INTEREST

If the information requested in the supplemental section is also provided on an attachment, contact the individuals listed in the Questions section of this Directive.

General

- Any questions related to the Directive should be addressed to the following individuals:
 - ▶ Doug Page, Assistant Director, (804) 225-3136 or doug.page@doa.virginia.gov,
 - ▶ John Sotos, Assistant Director, (804) 225-2111 or john.sotos@doa.virginia.gov; or,
 - ▶ Sharon Lawrence, Director, (804) 225-2414 or sharon.lawrence@doa.virginia.gov.
- The Comptroller's Directive No. 3-08, Directive Compliance Guidelines for State Agencies, has been renumbered from the prior year's Comptroller's Directive No. 3-07.
- Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112) states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments and prior year ending balance restatements due to errors. It is possible that significant errors discovered, including those resulting in prior year ending balance restatements, could result in either material internal control weaknesses or even a qualified opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR). Agencies must ensure controls are in place to avoid misstatements, restatements (due to errors) in their directive submissions.
- Training for this directive will be provided at no charge to the agencies. The training will cover new attachments, highlight substantial changes to prior year attachments, and include a detailed discussion of common problem areas. On-line training will be available in addition to live training. **It is strongly encouraged** that state agencies that must complete information contained in this Directive participate in either the **on-line** or **live** directive training session available this year. Three (3) continuing professional education (CPE) credits may be earned by participating in **either** training. To register for the live or go to the on-line training, go to www.doa.virginia.gov and click on the "Training Resources" link.
 - ▶ DOA is offering one 3-hour directive training session as outlined below.
 - May 20 (9:00 a.m. – 12:00 p.m.)
 - Please bring a printed copy of the directive to the live training session and be prepared to discuss any questions you may have concerning the directive.

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- ▶ DOA is offering on-line directive training from May 28 to July 15 at:
 - http://www.doa.virginia.gov/Training_Resources/DOA.cfm
 - Please have a printed copy of the directive available for reference when taking the on-line training.
- ▶ DOA is also offering a training session to address the capital assets and lease topics. The Lease Accounting System has several new reports which allow users and managers to compare lease activity between current fiscal year and prior fiscal year. Further, the capital lease fluctuation analysis and the change log report are now available for agency use. These two reports allow agency personnel to verify capital lease balances and identify changes made by specific user ID. Discussion of attachments 14 and 14A and additional year-end reporting requirements will be on May 20, 2008 after discussion of the other directive attachments.
- Agencies will be notified within a few days of submission due dates if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised date will be provided. Original submissions should be materially correct. Multiple submissions and / or failure to provide corrected information within the specified timeframe may result in citation in the Comptroller's *Quarterly Report on Statewide Financial Management and Compliance*.
- As in previous years, e-mail submissions are required for all submissions unless an individual submission indicates otherwise. Agencies should only submit **one** copy of each submission to DOA. Please note the e-mail addresses below:
 - For attachments only – finrept-agvatt@doa.virginia.gov
 - For supplemental information only – finrept-agysupp@doa.virginia.gov
 - All other correspondence – finrept@doa.virginia.gov

Agencies should remember to copy the Auditor of Public Accounts (APA) on all e-mail submissions at: APAFinRept@apa.virginia.gov.

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- The **Supplemental Information** requirements are numbered for each agency. When submitting the required information, the subject line of the e-mail should include the agency number, due date of the submission, and item number. For example, if the Department of Treasury is submitting items due on July 17, then the subject line would read “**Agy 152, Due Date July 17, 2008, Submissions, Item #.**”
 - When naming the actual file, include the Item # in the file name.
 - When submitting revisions, include “**REVISED – date**” in the **subject line** of the e-mail as well as in the **file name**.
 - **DO NOT include different due date submissions within the same e-mail.**
- The U007 and U008 Payroll Reports may be used by certain agencies to complete Attachment 6, Leave Liability for CIPPS and Non-CIPPS Users, Part 3 of the Non-CIPPS tab. Contact Ervin Farmer at (804) 225-3120 or by e-mail at ervin.farmer@doa.virginia.gov to make prior arrangements to receive these reports, if the agency does not already have access to them.
- **Effective with fiscal year 2008**, for your convenience, the contact information in all but the first tab in each attachment / template has been unlocked and shaded yellow. The contact information continues to be auto filled with the information from the first tab, but the cells remain unlocked to allow for more than one preparer to complete the attachment.
- Only cells highlighted in yellow allow for data entry. Messages have been added that provide assistance to individuals having trouble entering data when the established parameters are not being followed. **Failure to correct keying errors denoted by validation messages prior to submission will prohibit acceptance of the attachment.**
- **Certification** is required for most submissions. This certification step requires the names of all preparers and reviewers to be included on all submissions. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any submission. **By typing a name, the individual is certifying that all information in the submission has been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same individual.** The certification must accompany all supplemental information. There is a separate certification tab for all attachments.

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- Revision control logs are included in the majority of the attachment workbooks. These logs require the agency to identify the specific worksheets and tabs that have been modified **after** DOA's original acceptance. These logs should also provide a cumulative listing of changes to each attachment. The individual attachment instructions indicate whether the revision control log is applicable. **Failure to adhere to the revision instructions specified for each attachment will prohibit acceptance of revisions.** Include "REVISED – date" in the subject line of the e-mail as well as in the file name. Each time a revision is submitted, the **Certification** tab should be updated with new signatures and dates. DOA will notify agencies if problems are encountered with revision submissions.
 - A Glossary of terms used in this Directive is included this year.
 - For CAFR reporting purposes, the Commonwealth capitalizes all equipment that has a cost or value greater than \$50,000 and an expected useful life of greater than two years. In addition, for CAFR reporting purposes, the Commonwealth capitalizes all other assets that have a cost or value greater than \$100,000 and an expected useful life of greater than two years. **These CAFR reporting capitalization thresholds do not affect capitalization thresholds on FAACS.** Proprietary agencies will be able to specify their individual capitalization limits in the financial statement template capital asset footnote tab.
 - If an agency is required to prepare financial statements for purposes other than the Comptroller's Directive, the affected agencies will still have to prepare those financial statements. However, unless otherwise specified in the **Supplemental Information** section of the Directive, these financial statements will not have to be submitted to DOA. For those agencies that are audited by the APA, the APA will audit the template for CAFR purposes.
 - The list of attachments now includes a column for current year attachment numbers as well as prior year attachment numbers.
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New Attachments

Attachment 4, 2007 Off-Balance Sheet Financial Obligations:

- Attachment 4 will capture any information related to off-balance sheet financial obligations as of June 30, 2007 in accordance with §2.2-813.2 of the *Code of Virginia*.

Attachment 21, Schedule of Prepayments at June 30:

- Attachment 21 will be used to capture financial information on prepayments. This information was captured along with inventory information on Attachment 7 last fiscal year. Agencies will be provided with amounts to reconcile.

Attachment 33, 2008 Off-Balance Sheet Financial Obligations:

- Attachment 33 will be used to capture information related to off-balance sheet financial obligations as of June 30, 2008 in accordance with §2.2-813.2 of the *Code of Virginia*. It will be issued after Attachment 4 submissions have been evaluated.
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Attachments with Changes

Attachment 1, Checklist to Determine Information Required by Comptroller's Directive:

- Changes were made to the list of agencies that are required to submit GAAP Basis Financial Statement Templates.
- Changes were made to the list of agencies that are required to submit Supplemental Information.
- Questions 3 through 7 were added to the General Information section.

Attachment 5, Energy Performance Contracts:

- Accommodations were made to address compounded interest.

Attachment 6, Leave Liability – CIPPS and Non-CIPPS Users:

- A tab has been added to capture termination benefits associated with non-state OPEBs.
- The materiality scope has been changed for the required fluctuation analysis.

Attachment 8, Schedule of Inventory on hand as of June 30:

- Prepayments will not be captured on this attachment. Prepayments will be captured separately on Attachment 21 this year.
 - **Inventory** tab was changed to include a question related to inventory pledged as collateral to ensure adequate information is obtained to comply with **GASBS No. 48**
 - The materiality scope has been changed for the required fluctuation analysis.
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Attachments with Changes, Continued

Attachment 9, Governmental Fund Financial Statement Template:

- **Tab 4 – Miscellaneous** was changed to provide a section for agencies to report inventory that is pledged or has a lien against it to ensure compliance with **GASBS No. 48** and voluntary termination benefits and/or involuntary termination benefits as of June 30, 2008 that must be recognized in accordance with **GASBS No. 47.**

Attachment 10, Enterprise Fund Financial Statement Template:

- **Tab 7 – Miscellaneous** was changed to provide a section for agencies to report inventory that is pledged or has a lien against it to ensure compliance with **GASBS No. 48** and voluntary termination benefits and/or involuntary termination benefits as of June 30, 2008 that must be recognized in accordance with **GASBS No. 47.**
- **Tab 13 – Cash Flow Analysis** was changed to incorporate additional reconciliations in Part 2 and 3.

Attachment 11, Internal Service Fund Financial Statement Template:

- **Tab 7 – Miscellaneous** was changed to provide a section for agencies to report inventory that is pledged or has a lien against it to ensure compliance with **GASBS No. 48** and voluntary termination benefits and/or involuntary termination benefits as of June 30, 2008 that must be recognized in accordance with **GASBS No. 47.**
- **Tab 13 – Cash Flow Analysis** was changed to incorporate additional reconciliations in Part 2 and 3.

Attachment 12, Private-purpose Trust Fund Financial Statement Template:

- **Tab 7 – Miscellaneous** was changed to provide a section for agencies to report inventory that is pledged or has a lien against it to ensure compliance with **GASBS No. 48** and voluntary termination benefits and/or involuntary termination benefits as of June 30, 2008 that must be recognized in accordance with **GASBS No. 47.**

Attachment 13, Agency Fund Financial Statement Template:

- **Agency Fund Template** tab was changed to include a fluctuation analysis to prior year amounts.

Attachment 14, Capital Asset Accounting and Control System (FAACS) Analysis:

- Cells will automatically populate with prior year ending balances.

Attachment 16, GASBS No. 33 Expenditure and Revenue Analysis:

- A column has been added for expenditures still unrecognized.

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Attachment 20, Management Discussion and Analysis:

- Only agencies contacted in a separate communication will have to provide an explanation for items identified. These explanations will be used to complete the M D&A section of the CAFR.

Attachment 22, Receivables as of June 30:

- **Reconciliation** tab was changed to include a question to address pledged receivables to ensure adequate information is obtained to comply with **GASBS 48**.

Attachment 24, Schedule of Cash, Cash Equivalents, and Investments as of June 30:

- A section was added to the **Cash Equiv. & Inv. Not w Tr** tab for unsecured bonds and notes.

Attachment 26, GASBS No. 33 Federal Fund Analysis – Non-reimbursement Grants:

- The attachment name was changed.
 - Instructions have been rewritten to aid agencies in completing the attachment.
 - All agencies with federal funds will have to complete.
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